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WESTERN EUROPE: Growing Assertiveness on Middle East

Frustration with Israel and concern that the US initiative is stalled are prompting the West Europeans to become more active in the Middle East peace process. [redacted]

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The recent EC Summit statement on the Middle East went considerably beyond the initial West German draft in calling for the inclusion of the PLO in peace negotiations, according to a senior West German official. Most EC member states felt frustrated with the policies of Prime Minister Begin toward settlements in Israeli-occupied territory, and they hoped to press the US for faster progress toward peace. [redacted]

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British officials, meanwhile, have confirmed to the US that they cautioned King Hussein about joining peace talks without PLO support, but they deny that they sought to dissuade him from participating. They noted that it was at the UK's suggestion that the EC Summit agreed to work through West Germany to assure Hussein of West European support if he joined the talks. The British added that Foreign Secretary Pym will urge the Saudis to be more helpful when he visits Riyadh next month. [redacted]

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Comment: West European leaders are worried that the US administration may be distracted from its peace initiative—as a presidential election year draws closer—and thus will add to Arab frustrations. They fear that their recent support of the US initiative might jeopardize their relations with Arab moderates. The leaders' current and prospective moves toward a more independent position probably reflect a desire to protect those links. [redacted]

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EL SALVADOR: Progress in Economic Reform

President Magana is making substantial progress in carrying out the major economic reforms introduced in 1980, despite opposition from extreme rightists.

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The central bank recently began the final step in reforming the banking system when it announced it is offering up to 49 percent of the equity in nationalized banks to private investors. Purchases will be limited to a maximum of 1 percent per owner. The government had taken over ownership of all banking and savings and loan institutions in 1980 as the first step in eliminating the concentration of control of credit in the hands of a few powerful families.

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Earlier this month the Constituent Assembly agreed to extend for 10 months the period during which peasants may submit petitions claiming ownership of plots under the "land-to-the-tiller" program. So far, less than one-half of the potential beneficiaries have taken advantage of the program.

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The Assembly has refused to endorse a campaign by major coffee growers to weaken the powers of the National Coffee Institute over production, pricing, and marketing. The institute was established as a cooperative by the government in 1980 to ensure equitable returns for small producers.

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Comment: The continued progress on these economic reforms is a victory for Magana and moderate elements in the Constituent Assembly, who have had to overcome strong challenges by extreme rightist factions. In recent months, many more provisional titles have been awarded under the land-to-the-tiller program. A total of more than 62,000 claims have been filed so far and some 36,000 provisional titles issued.

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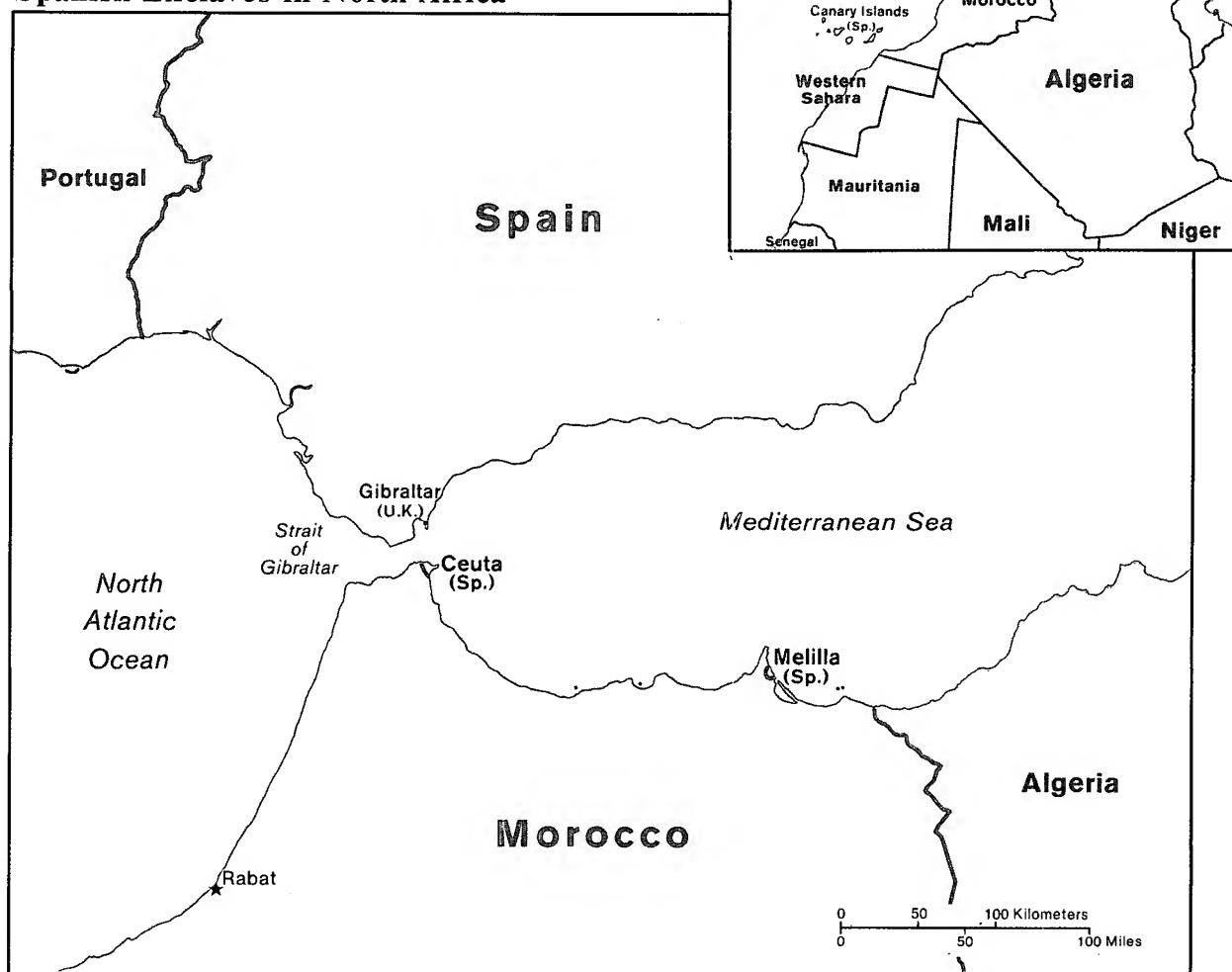
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Spanish Exclaves in North Africa



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SPAIN-MOROCCO-ALGERIA: Efforts To Improve Relations

Prime Minister Gonzalez's trip to Morocco that begins today probably will lessen the chance that differences between Madrid and Rabat could threaten US interests in the western Mediterranean.

[redacted]

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Gonzalez's visit will be his first official foreign trip since he took office. When his Socialist Party was in the opposition in Parliament, it was coolly disposed toward Morocco and maintained close ties with Algeria and the Polisario Front. As part of an effort to improve relations with Algeria, Madrid sent a high-level team to Algiers last Tuesday to negotiate a new natural gas purchase agreement and to discuss greater regional cooperation. [redacted]

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Comment: The Socialists apparently have decided that good relations with Rabat are the best safeguard against pressure on Ceuta and Melilla, Spain's exclaves on Morocco's Mediterranean coast. They also seem to believe that their support for King Hassan—whom they see as a force for stability in Morocco—is important to Spain's own security as well as to its hold over the Canary Islands. In his discussions with Hassan, Gonzalez's underlying concern will be to assure the security of the exclaves. [redacted]

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Hassan is worried about Madrid's ties with Algiers and probably will welcome Gonzalez's offer to keep relations with Spain on an even keel. Such an understanding would lessen the possibility of the US's being caught in the middle of a Moroccan-Spanish dispute. [redacted]

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Although the Socialists' principal goal in the area seems to be maintaining good relations with Morocco, sentiment and commercial considerations dictate efforts to strengthen ties with Algeria. To reduce the difficulties in maintaining good relations with both Algiers and Rabat, the Socialists probably will work to promote closer ties between the two. If Morocco and Algeria resolve their dispute over Western Sahara, however, Rabat might pursue a harder line with Spain on the exclaves. [redacted]

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[redacted]

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CHAD: Political and Military Developments

Chad is vigorously seeking UN Security Council action against Libya while reinforcing its northernmost position as the dissident buildup continues. []

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To dramatize the threat that Libyan leader Qadhafi poses to Chad, President Habre's government has introduced a complaint in the Security Council about Libya's occupation of the Aozou Strip since 1973. N'Djamena was forced to withdraw a similar complaint in 1978 because of inadequate preparation and successful Libyan counterlobbying. []

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Meanwhile, Habre is continuing to reinforce his stronghold at Faya-Largeau and is making plans to retake Ounianga Kebir, which was abandoned early this month to the Libyan-backed dissidents. Habre has some 3,000 troops in the Faya-Largeau area facing an estimated 2,000 to 2,500 dissidents. []

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Comment: By appealing to the UN, Habre has taken a calculated risk that his efforts to embarrass Libya politically will not backfire or cause Qadhafi to put pressure on the dissidents to launch an offensive. Even if the dissidents continue to stay in place, however, Habre's forces would find it difficult to sustain a prolonged campaign of attrition against them. The government cannot easily replace its material losses, and its supply lines are overextended. []

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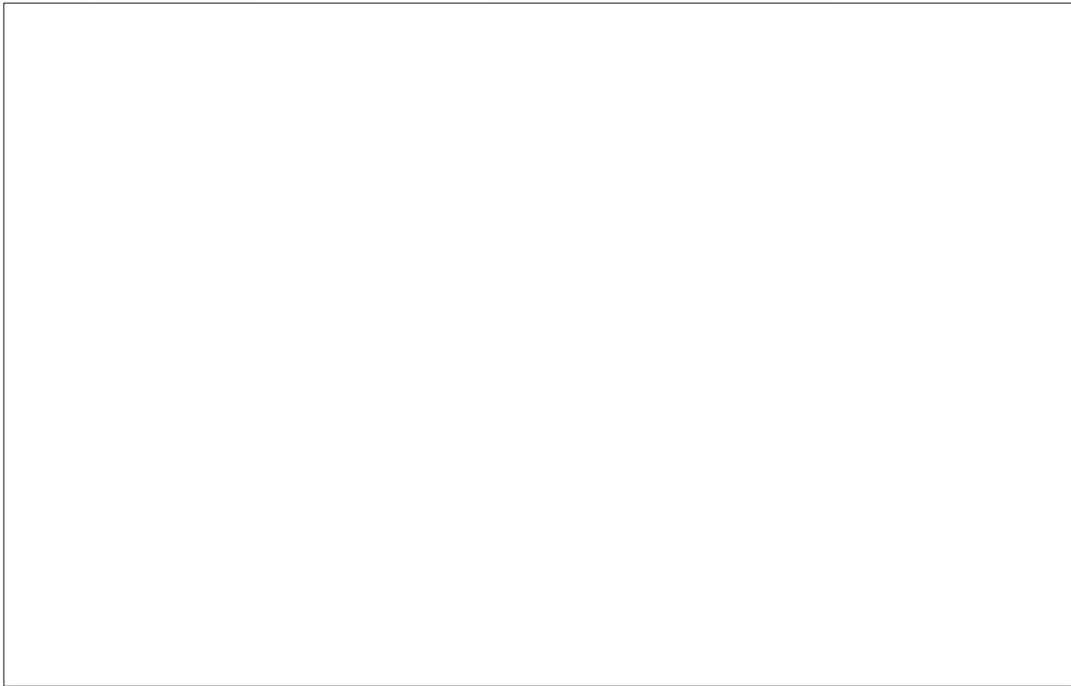
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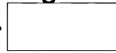

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**USSR-HUNGARY: Lectures on Management**

The Hungarian First Deputy Minister of Industry recently addressed a Soviet high-level course on economic management at the academy of the National Economy of the Council of Ministers. The audience included leading representatives of agriculture, food, light industry, trade, and transport. This reportedly is the first time a non-Soviet lecturer has addressed such a group. 

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Comment: The event highlights the seriousness with which the leadership is studying the applicability of Hungarian economic practices. Previous indications have included favorable references to Hungarian and other East European economic reform measures, particularly those affecting agriculture, in the speeches of Soviet leaders and in the media. Direct exchanges in this area with the Hungarians, however, generally have been at a lower level. The fact that the speaker represented Hungary's industrial sector confirms that the Soviets are interested in a broader range of Hungarian practices than agricultural techniques alone. 

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SOUTH AFRICA-LESOTHO: Cross-Border Attacks

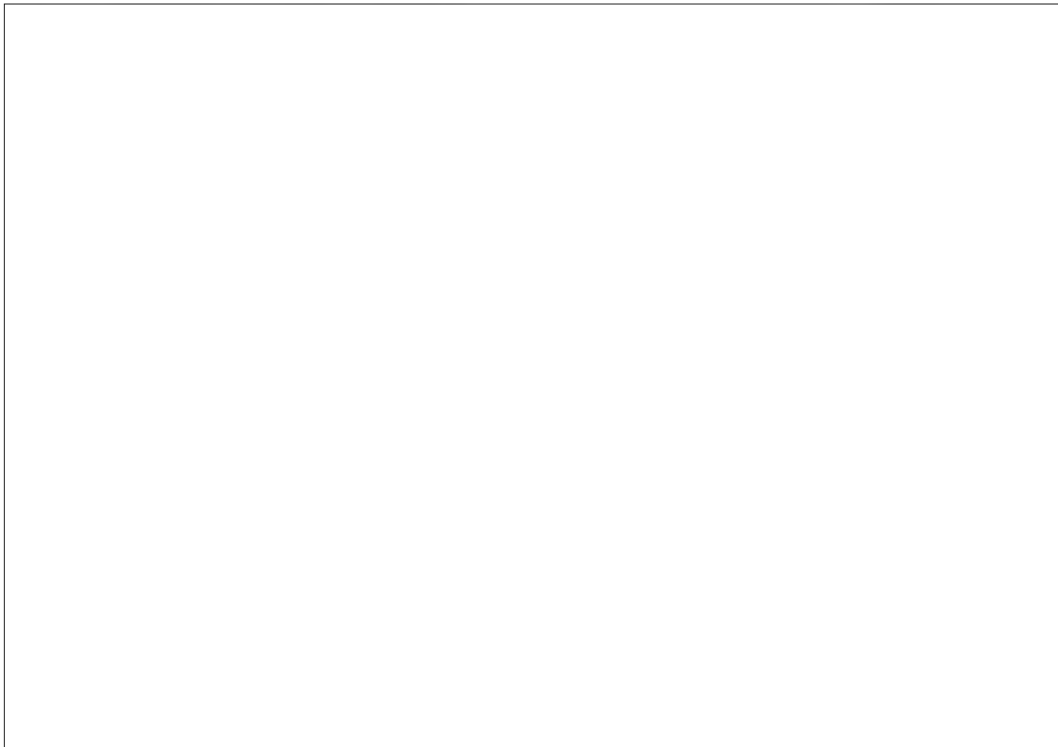
Lesotho has charged South Africa with responsibility for several attacks on Saturday. Maseru radio reported one group from South Africa led by a South African officer attacked a border post. Lesotho also claims to have arrested a number of people, including black South Africans, following a sabotage attempt against electrical installations in Maseru. Another border post and a Catholic mission reportedly were attacked. 

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Comment: The claims of direct South African participation have not been confirmed, and the actions probably were carried out primarily by South African-backed insurgents. Pretoria has long supported the Lesotho Liberation Army to counter what the South Africans see as a permissive policy by Prime Minister Jonathan toward the African National Congress. The attacks reflect the Lesotho insurgents' growing strength and may indicate an increased South African commitment to them. 

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SUDAN-ETHIOPIA: Expected Influx of Refugees

Thousands of peasants are moving toward Sudan to escape the drought in Ethiopia's Eritrea and Tigray Provinces and, by the peak of the dry season in May and June, 250,000 refugees reportedly may cross into the Kassala and Gederaf areas of Sudan. The US Embassy in Khartoum reports that the drought is as severe as that of 1973-74, which killed an estimated 200,000 people. According to the World Food Program representative in Addis Ababa, it could affect as many as 3.5 million Ethiopians.

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Comment: Some 600,000 Ethiopian and Ugandan refugees are now in Sudan. The food currently available in the region would accommodate only 500 refugees per week, and if many thousands of refugees arrive in May, the relief system probably will collapse. Water will remain in extremely short supply in the Gederaf area until the rains begin in late June. The resumption of the Ethiopian offensive to crush the Tigray People's Liberation Front would make the situation still worse.

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USSR-YUGOSLAVIA: Increase in Soviet Oil Deliveries

Soviet and Yugoslav negotiators meeting in Belgrade in conjunction with the recent visit of Premier Tikhonov reportedly agreed the USSR will supply 96,000 barrels of crude oil per day this year, 7 percent more than called for in the trade agreement signed in January. Moreover, a new agreement is expected later this year on the sale of an additional 20,000 barrels per day. According to the US Embassy in Belgrade, the Soviets are seeking additional agricultural products in exchange.

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Comment: The Soviets had been resisting Yugoslav requests for more oil. If they have agreed to increase deliveries without demanding Yugoslav concessions, it would reflect Moscow's concern that Belgrade's economic plight might result in increased Western influence or cause political instability. Even with the additional Soviet oil, Yugoslavia will have shortages of fuel.

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Cuban Representation in Latin America, March 1983

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Special Analysis

CUBA-LATIN AMERICA: Cultivating Closer Ties

Cuba is accelerating its campaign to improve relations with Latin American countries. Havana is using a more gradual approach with several countries, with the aim of developing local public support for normalizing ties. Nevertheless, President Castro retains his penchant for "revolutionary struggle" and may continue exploiting targets of opportunity even in countries where diplomatic relations are restored.

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The efforts to draw closer to Latin America gained momentum last year during the conflict in the Falklands, when some countries became more receptive to Cuban overtures. Havana secured Latin American support in the Nonaligned Movement, both at the special meeting in Nicaragua devoted to Latin America in January and at the recent summit in New Delhi. Cuba believes these meetings have strengthened its position as regional spokesman in the Movement.

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The Cubans have sent delegations to recent multilateral economic meetings in Colombia and Argentina. They are encouraging Latin American academicians, other intellectuals, and government officials to participate in celebrations throughout the region in July to honor Simon Bolivar. Castro expects to be invited to a Latin American chiefs-of-state meeting in Caracas during July.

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Bolivia and Colombia

The reestablishment of diplomatic relations with Bolivia in January is Cuba's biggest recent success. Havana appears to be moving cautiously in its dealings with President Siles's government.

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In Colombia, Cuban officials recently held talks with government leaders apparently aimed at establishing closer commercial ties.

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These overtures suggest Havana hopes Colombia will be the second Latin American country to resume relations this year. Cuban officials, however, are not making public predictions or urging Bogota to take early action. Betancur will have difficulty resuming relations with Havana as long as it is believed to be supporting the M-19 insurgents.

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Long-Term Approach

Havana had high hopes only a few months ago that relations with Ecuador, Peru, and Venezuela also would be elevated soon. This optimism has proved to be unfounded, however, and Havana has since shifted to a more gradual approach in improving ties with them and with some countries in the Caribbean Basin. It is making steady efforts to cooperate with influential groups and to develop official dialogues aimed at resolving bilateral issues.

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Prospects for Success

Suspicion of Havana remains strong throughout the area. Most South American governments question Cuba's claim to have interests in common with them.

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Havana nevertheless will persist in seeking improved relations with countries that are receptive to its overtures. It especially wants to

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restore ties with Colombia within the next few months and to upgrade those with Venezuela by next year, even though major obstacles remain.

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Cuba will continue to tailor its strategy to individual countries.

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Although Cuba may proceed carefully for some time in working to build formal ties with Latin America, Castro's preference for armed struggle is likely to prevail when opportunities arise. If South American governments were to conclude that Havana is seeking a regional base by becoming more involved in Suriname or by trying to subvert Bolivia, prospects for continued improvement in relations would decline.

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